

LANDFILL OF NORTH IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

December 31, 2004

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## LANDFILL OF NORTH IOWA

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gus Erickson	Board Chairman*	City of Garner
Willard Gisel	Vice Chairman*	Cerro Gordo County
Byron Ruitter	Board Member*	City of Forest City
Herbert Thompson	Board Member	City of Kensett
David Abele	Board Member	City of Klemme
Ardell Van Osten	Board Member	City of Meservey
Joyce Nuehring	Board Member	City of Manly
Don Anderson	Board Member	City of Northwood
Charles Meyers	Board Member	City of Plymouth
Dean Jost	Board Member	City of Rock Falls
Mark Waite	Board Member	City of Rockwell
W. Dale Brayton	Board Member	City of Sheffield
Donald Morrison	Board Member	City of Ventura
Richard Brattrud	Board Member	City of Hanlontown
Laura Bradley	Board Member	City of Popejoy
Phil McLaughlin	Board Member	City of Thornton
Lori Sprung	Board Member	City of Swaledale
Jeff Nelson	Board Member	City of Clear Lake
Darwin Tripp	Board Member	City of Coulter
Mary Nagel	Board Member	City of Dougherty
Ray Silver	Board Member	City of Geneva
Larry Roehl	Board Member	City of Floyd County
Doug Symens	Board Member	City of Hansel
Marloe Ellingson Jr.	Board Member	City of Joice
Brian Dirksen	Board Member	City of Latimer
Max Weaver	Board Member	City of Mason City
Ron Dunt	Board Member	City of Hampton
George Anderson	Board Member	City of Nora Springs
Kyle Tabbert	Board Member	City of Grafton
William Rowland	Director	
David M. Nelsen	Attorney	

\* - Executive Committee member

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the  
Landfill of North Iowa

We have audited the accompanying financial statements of the Landfill of North Iowa as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Landfill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Landfill of North Iowa as of and for the year ended December 31, 2004 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 10, during the year ended December 31, 2004, the Landfill of North Iowa adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2005 on our consideration of the Landfill of North Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Williams & Associates, P.C.*

Williams & Associates, P.L.C.  
Certified Public Accountants

Mason City, Iowa  
February 14, 2005

LANDFILL OF NORTH IOWA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Landfill of North Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Landfill of North Iowa is for the year ended December 31, 2004. We encourage readers to consider this information in conjunction with the Landfill's financial statements, which follow.

**2004 FINANCIAL HIGHLIGHTS**

- The Landfill's operating receipts increased 15%, or approximately \$349,000 from 2003 to 2004.
- The Landfill's operating disbursements decreased approximately \$21,000 or 1% from 2003 to 2004.
- The Landfill's net assets increased 16.8%, or approximately \$731,000 from December 31, 2003 to December 31, 2004.

**USING THIS ANNUAL REPORT**

The Landfill has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under the Landfill's cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Landfill's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Landfill of North Iowa's basic financial statements. The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Landfill's financial activities.
- The Statement of Net Assets – Cash Basis presents information on the Landfill's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.
- The Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis presents information on the Landfill's operating receipts and disbursements, non-operating receipts and disbursements and whether the Landfill's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## LANDFILL OF NORTH IOWA

### FINANCIAL ANALYSIS OF THE LANDFILL

#### Statement of Net Assets – Cash Basis

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Landfill at the end of the year. This statement is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Landfill to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Landfill's financial position by analyzing the increases and decreases in net assets.

<u>Assets and Net Assets</u>		
Assets	2004	2003
Cash and Cash equivalents:		
Restricted	\$ 2,451,397	\$ 1,977,685
Unrestricted	<u>2,637,088</u>	<u>2,379,498</u>
Total assets	\$ 5,088,485 =====	\$ 4,357,183 =====
Net Assets		
Net Assets:		
Restricted	\$ 2,451,397	\$ 1,977,685
Unrestricted	<u>2,637,088</u>	<u>2,379,498</u>
Total net assets	\$ 5,088,485 =====	\$ 4,357,183 =====

A large portion of the Landfill's net assets (48%) is restricted for closure and postclosure care. State and federal laws and regulations require the Landfill to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (52%) are the unrestricted net assets that can be used to meet the Landfill's obligations as they come due. The Board of Directors of the Landfill have designated \$200,000 of unrestricted net assets for future cell expansion. Restricted net assets increased \$673,712 or 34% during the year. The increase was due to additional funds set aside for closure and postclosure care costs. Unrestricted net assets increased \$57,590, or 2% during the year due to an increase in gate receipts.

#### Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis

Changes in total net assets as presented on the Statement of Net Assets – Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursement and Changes in Net Assets – Cash Basis. The purpose of the statement is to present the receipts received by the Landfill and the disbursements paid by the Landfill, both operating and non-operating.

# LANDFILL OF NORTH IOWA

## Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis (continued)

Operating receipts are received for gate fees from accepting solid waste and assessments from members of the Landfill. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, debt proceeds, debt issue costs and construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended December 31, 2004 and 2003 are presented below:

	2004	2003
OPERATING RECEIPTS:		
Tipping fees and gate charges	\$ 2,427,511	\$ 2,178,118
City and county membership fees	98,075	29,909
Woodchip sales	70,975	47,284
RCC reimbursements	49,763	42,754
Miscellaneous	<u>2,504</u>	<u>1,803</u>
Total operating receipts	<u>\$ 2,648,828</u>	<u>\$ 2,299,868</u>
OPERATING DISBURSEMENTS:		
Salaries and benefits	618,597	571,075
Insurance	31,881	27,937
Computers & equipment	10,528	12,976
Supplies	41,757	55,609
Postage	2,606	3,210
Travel	3,690	11,992
Promotion	35,817	34,193
Legal fees	36,660	30,270
Engineering fees	175,976	95,221
Accounting and auditing fees	6,201	8,292
Utilities	22,280	22,093
Building maintenance	19,935	42,663
Daily cover	33,555	20,563
Monitoring and analysis	12,299	16,475
Recycling	78,839	73,931
Hazardous waste disposal	29,580	46,032
Equipment repairs and maintenance	132,836	161,510
Department of Natural Resources tonnage fee	220,033	293,249
Gravel	4,874	--
Miscellaneous	<u>14,779</u>	<u>26,502</u>
Total operating disbursements	<u>\$ 1,532,723</u>	<u>\$ 1,553,793</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 1,116,105</u>	<u>\$ 746,075</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)		
Interest income	\$ 89,639	\$ 90,896
Land rent	4,419	3,769
Construction loan repayments	(56,134)	(56,134)
Proceeds from sale of equipment	165,000	--
Equipment purchases	<u>(587,727)</u>	<u>(227,448)</u>
Net non-operating disbursements	<u>\$ (384,803)</u>	<u>\$ (188,917)</u>
CHANGE IN CASH BASIS NET ASSETS	\$ 731,302	\$ 557,158
NET ASSETS – CASH BASIS BEGINNING OF YEAR	<u>4,357,183</u>	<u>3,800,025</u>
NET ASSETS – CASH BASIS END OF YEAR	<u>\$ 5,088,485</u> =====	<u>\$ 4,357,183</u> =====



## LANDFILL OF NORTH IOWA

In fiscal 2004, operating receipts increased by \$348,960, or 15%. The increase was primarily a result of gate fees increasing by \$249,393 due to an increase in waste received and member contributions increasing by \$68,166. In fiscal 2004, operating disbursements decreased by \$21,070, or 1%, from fiscal 2003.

### LONG-TERM DEBT

At December 31, 2004, the Landfill had \$112,951 of noninterest bearing notes outstanding. The notes were issued in previous years to finance the costs of constructing the Education Center and assist in the collection of hazardous waste.

### ECONOMIC FACTORS

The Landfill of North Iowa continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Landfill officials. Some of the realities that may potentially become challenges for the Landfill to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- The Landfill's need to expand its current facility resulting in not only the cost of this expansion but also increased closure and postclosure cost considerations. This may involve additional purchases of land.

LANDFILL OF NORTH IOWA  
STATEMENT OF NET ASSETS – CASH BASIS  
December 31, 2004

ASSETS	
Cash and Cash equivalents:	
Restricted	\$ 2,451,397
Unrestricted	<u>2,637,088</u>
Total assets	\$ 5,088,485 =====
NET ASSETS	
Restricted for:	
Closure	\$ 770,486
Postclosure care	<u>1,680,911</u>
Total restricted net assets	2,451,397
Unrestricted:	
Designated for new cell expansion	200,000
Undesignated	<u>2,437,088</u>
Total net assets	\$ 5,088,485 =====

See Notes to Financial Statement

LANDFILL OF NORTH IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN NET ASSETS – CASH BASIS

As of and for the Year Ended December 31, 2004

OPERATING RECEIPTS:	
Tipping fees and gate charges	\$ 2,427,511
City and county membership fees	98,075
Woodchip sales	70,975
RCC reimbursements	49,763
Miscellaneous	<u>2,504</u>
Total operating receipts	<u>2,648,828</u>
OPERATING DISBURSEMENTS;	
Salaries and benefits	618,597
Insurance	31,881
Computers & Equipment	10,528
Supplies	41,757
Postage	2,606
Travel	3,690
Promotion	35,817
Legal fees	36,660
Engineering fees	175,976
Accounting and auditing fees	6,201
Utilities	22,280
Building maintenance	19,935
Daily cover	33,555
Monitoring and analysis	12,299
Recycling	78,839
Hazardous waste disposal	29,580
Equipment repairs and maintenance	132,836
Department of Natural Resources tonnage fee	220,033
Gravel	4,874
Miscellaneous	<u>14,779</u>
Total operating disbursements	<u>1,532,723</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>1,116,105</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest income	89,639
Land rent	4,419
Construction loan repayments	(56,134)
Proceeds from sale of equipment	165,000
Equipment purchases	<u>(587,727)</u>
Net non-operating disbursements	<u>(384,803)</u>
CHANGE IN CASH BASIS NET ASSETS	731,302
NET ASSETS – CASH BASIS BEGINNING OF YEAR	<u>4,357,183</u>
NET ASSETS – CASH BASIS END OF YEAR	\$ 5,088,485
	=====

See Notes to Financial Statements

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004

Note 1. Summary of Significant Accounting Policies

The Landfill of North Iowa is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Landfill is to provide for the economic disposal of all solid waste produced or generated within each member city, town, and the unincorporated portion of North Central Iowa. The governing body of the Landfill is composed of one representative from each member.

Reporting Entity

For financial reporting purposes, the Landfill has included all funds, organizations, account groups, boards, commissions and authorities. The Landfill has also considered all potential component units for which it is financial accountable, and other organizations for which the nature and significance of their relationship with the Landfill are such that exclusion would cause the Landfill's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Landfill to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Landfill. The Landfill of North Iowa has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Landfill are organized as an Enterprise Fund. Enterprise Funds are used to account for operation (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal outgoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Landfill of North Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Landfill are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items including the estimated payables for closure and post-closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Landfill in accordance with generally accepted accounting principles.

Note 2. Pension and Retirement Benefits

The Landfill of North Iowa contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Landfill is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The Landfill's contribution to IPERS for the years ended December 31, 2004, 2003 and 2002 were \$20,652, \$24,206 and \$22,016 respectively, equal to the required contributions each year.

Note 3. Cash and Investments

The Landfill's deposits at December 31, 2004 were covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Landfill is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Landfill's Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Landfill had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004

Note 4. Construction Loan Repayments

During the year ended December 31, 2001, the Landfill completed construction of an Education Center. This project was financed in part with a \$218,765 award from the Iowa Department of Natural Resources. This award consisted of a \$75,000 forgivable loan and a \$143,765 zero interest loan. The forgivable loan portion of this award will be forgiven if the Landfill has complied with all contractual obligations of the project through April 15, 2006. If contractual requirements are not met then the forgivable loan portion of the award will revert to a zero interest loan requiring repayment. The zero interest loan had a remaining balance payable of \$41,076 at December 31, 2004. The loan is due in quarterly installments of \$6,846 with final payment due April 15, 2006.

In addition to the Education Center loan, the Landfill has a non-interest bearing loan payable to the Iowa Department of Natural Resources totalling \$71,875 at December 31, 2004. The loan is due in quarterly installments of \$7,188 with a final payment due April, 2008.

Total loan payments are due as follows:

Years ending December 31,	
2005	56,134
2006	42,441
2007	7,188
2008	7,188

Note 5. Closure and Postclosure Care Cost

To comply with Federal and State regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Landfill (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period.

## LANDFILL OF NORTH IOWA

### NOTES TO FINANCIAL STATEMENT December 31, 2004

#### Note 5. Closure and Postclosure Care Cost (continued)

Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total future closure/post closure costs for the Landfill of North Iowa have been estimated at \$2,968,840 as of December 31, 2004. The estimated remaining life of the landfill is 3 years with approximately 80 percent of the landfill's capacity used at December 31, 2004.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Landfill has begun to accumulate resources to fund these costs and, at December 31, 2004, assets of \$2,451,397 are restricted for these purposes, of which \$770,486 is for closure and \$1,680,911 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets – Cash Basis.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

#### Note 6. Solid Waste Tonnage Fees Retained

The Landfill retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At December 31, 2004, the Landfill had no unspent tonnage fees.

#### Note 7. Risk Management

The Landfill is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.201 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004

Note 7. Risk Management (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The Landfill's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended December 31, 2004 were \$31,881.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Landfill does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2004, no liability has been recorded in the Landfill's financial statements. As of December 31, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.



LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004

Note 7. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

Note 8. Compensated Absences

Landfill employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Landfill until used or paid.

Note 9. Major Customer

During the year ended December 31, 2004, the Landfill received approximately 40% of its gate receipts from one customer.

Note 10. Accounting Change

For the year ended December 31, 2004, the Landfill implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Landfill.

**WILLIAMS & ASSOCIATES, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board Members of the  
Landfill of North Iowa

We have audited the financial statements of the Landfill of North Iowa as of and for the year ended December 31, 2004, and have issued our report thereon dated February 14, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Landfill of North Iowa's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that we are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Landfill's operations for the year ended December 31, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Landfill. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Landfill of North Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Landfill's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item 04-A in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described in item 04-A is a material weakness. Prior year reportable conditions have been resolved except for 04-A.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Landfill of North Iowa and other parties to whom the Landfill may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Landfill of North Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Associates, P.L.C.*

Williams & Associates, P.L.C.  
Certified Public Accountants

Mason City, Iowa  
February 14, 2005

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2004

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITION:**

04-A Segregation of Duties – The Landfill does not have the number of employees necessary for adequate segregation of duties. One individual has control over account billings, collecting, depositing, posting and reconciling receipts for which no compensating controls exist.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The Landfill is aware that this condition exists and is adopting new policies to improve controls. The Landfill has recently changed the controls regarding cash receipts and will continue to monitor the internal control system to ensure assets are safeguarded.

Conclusion – Response accepted.

**Other Findings Related to Statutory Reporting:**

04-1 Official Depositories – The Landfill has depositories which were not on the Board resolution of Official Depositories. In addition, the maximum deposit amount stated in the resolution were not exceeded.

04-2 Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-3 Travel Expenses – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.

04-4 Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.

04-5 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Landfill's investment policy were noted.

04-6 Solid Waste Fees Retainage – During the year ended December 31, 2004, the Landfill used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2004

04-7 Financial Assurance – For the year ended December 31, 2004, the Landfill has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation was made as follows:

Total estimated costs for closure and postclosure care	\$ 2,968,840
Less balance in fund at December 31, 2003	<u>(1,884,071)</u>
	\$ 1,084,769
Divided by number of years remaining in the pay-in period	<u>÷ 3</u>
Required payment into the local dedicated fund for the year ended December 31, 2004	\$ 361,590
Balance of funds held in the local dedicated fund at December 31, 2003	<u>1,884,071</u>
Required balance of funds held in the local dedicated fund at December 31, 2004	\$ 2,245,661
	=====
Amount the Landfill has restricted and reserved for closure and postclosure care at December 31, 2004	\$ 2,451,397
	=====